

October 24, 2008

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
TW-A325
Washington, DC 20554

**Re: *In the Matter of Universal Service Contribution Methodology*, WC Docket No. 06-122;
In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45**

Dear Ms. Dortch:

j2 Global Communications, Inc. ("j2 Global") respectfully submits two proposals designed to ameliorate unintended and unnecessary consequences stemming from proposed changes in the Universal Service Fund contribution methodology.

As j2 Global has described in previous filings, we offer free limited voicemail and fax delivery services that utilize phone numbers.¹ If the Commission adopts a numbers-based contribution methodology, those free services will no longer be sustainable. j2 Global recognizes and supports the importance of the Universal Service Fund in providing support to rural and other areas in the United States that are difficult to serve. The free services that j2 Global provides are also valuable to a variety of end-users such as unemployed people using the service as a job search tool, deployed military service members using the service to have faxes and voicemails delivered to their e-mail inboxes, and small start-up businesses using the service until they have sufficient capital for full home offices. These services have also been used by and marketed to those faced with a natural or man-made disaster to help them continue to communicate.

¹ j2 Global offers free voicemail and fax to e-mail message services on a low-volume basis. Customers may use up to 20 minutes of voicemail time, receive 20 pages of faxes, or combine the two services and use a maximum of 20 units of either service. In this sense, j2 Global's services bear a conceptual resemblance to low-volume prepaid wireless services. *See also ex partes* from j2 Global, WC Docket No. 06-122 and CC Docket No. 96-45 (filed Oct. 21, 2008, Sept. 30, 2008, Nov. 12, 2007, July 27, 2007).

Grandfather Proposal

In order to continue providing these valuable services in the same manner, j2 Global urges the Commission to grant grandfather protections to existing information services offered to end-users at no cost. Currently, the USF fees contributed as a result of these free services are limited to the pass-through fees that the underlying carriers collect based on their revenue from the telecommunications elements purchased by a service provider like j2 Global. We propose that the Commission use this pass-through amount as the basis for ongoing USF contributions by grandfathered free information services. *By way of example*, a free grandfathered information service may currently pay \$400,000 per year in pass-through USF fees to its underlying carriers for the telecommunications elements that make up its free services to 10 million customers. That free grandfathered information service would certify to USAC that it pays 4 cents per free line per year. USAC would then collect that amount in USF fees and, each quarter, USAC would reassess the fee based on the number of Assessable Numbers that are actually deployed for the free services. USAC would also apply an appropriate annual increase for inflation.

This proposal would permit information service providers to continue to offer existing free service models while limiting the risk of abuse of a carve-out or exemption by ensuring that only existing free information services are grandfathered. This would also allow the Fund to continue receiving equivalent payments for numbers used for these free services while ensuring the survival of those services. Further, this formula would not result in a burdensome process for USAC, which would only need to establish the initial amount per line that the grandfathered service pays via pass-through, then input the number of lines actually in use for the free service each quarter.

Transition Proposal

If the Commission decides not to grandfather existing free information services from a numbers-based USF contribution methodology, j2 Global respectfully requests that the Commission grant a transition period of 30 months after the final rules become effective for implementation of any new contribution methodology. In a joint filing on October 20, 2008, AT&T and Verizon correctly observed that if their numbers-based contribution proposal is adopted, “users of DID arrangements that receive large blocks of numbers may see an increase in their USF contribution. As a result, some of these consumers may begin to return unutilized numbers or reconfigure their services to use fewer numbers.”²

j2 Global would have to eliminate its free services to approximately 8.5 million customers in the event of a numbers-based contribution requirement. Among other things, this would leave j2 Global with contractual commitments with underlying carriers for capacity well beyond its needs and thus with a concomitant requirement to seek adjustments in the contracts. In addition to returning the numbers used for the free services, AT&T and Verizon correctly predict that a result of the numbers-based contribution methodology would be a return of numbers that are currently in inventory because they were recently taken back from a customer or are available for immediate take-up by a new

² See *ex parte* from AT&T and Verizon, WC Docket No. 06-122 and CC Docket No. 96-45 (filed October 20, 2008) (“AT&T/Verizon Proposal”) at 5.

customer. Moreover, this new contribution methodology would require j2 Global to communicate with its free customers and afford them the opportunity to consider transitioning to a paid package of similar services or a reasonable time to make other arrangements to meet their needs. Experience shows that transitioning of customers is an iterative process, made more difficult in j2 Global's case by the fact that it does not have a billing relationship with the free customers.

As a result, time will be required to accommodate existing contractual complications and to revise and implement j2 Global's longstanding business plan. Identical or similar issues doubtless will apply to others as well as to j2 Global.³

j2 Global fully supports the goals of the Universal Service Fund. However, we urge the Commission not to adopt changes that would unnecessarily eliminate free information services on which millions of U.S. users rely. If the Commission chooses to adopt such changes, j2 Global requests that the Commission either grant grandfather protections to free information services like those offered by j2 Global or establish a 30-month transition period that will allow sufficient time to accommodate the needs of our free customers and renegotiate existing telecommunications contracts. We appreciate your attention to this matter and look forward to working with you on this issue.

Respectfully submitted,

/s/ Karen Henein

Karen Henein
Counsel for j2 Global Communications, Inc.

cc: Nick Alexander
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³ See e.g., *Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, Report and Order, 18 FCC Rcd 16978 (2003) at ¶ 700-706; *Unbundled Access to Network Elements*, Order on Remand, 20 FCC Rcd 2533, 2536-37 and 2614 (2005) for examples of past grants of appropriate transition periods.